

**CITY OF LA VERKIN, UTAH**  
**BASIC FINANCIAL STATEMENTS AND**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**WITH INDEPENDENT AUDITORS' REPORTS**

**FOR THE YEAR ENDED JUNE 30, 2005**

CITY OF LA VERKIN, UTAH

YEAR ENDED JUNE 30, 2005

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City of La Verkin, UTAH  
YEAR ENDED JUNE 30, 2005

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Town Council  
La Verkin, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of La Verkin, Utah (the City) as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the City of La Verkin as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City of La Verkin has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2005.

Management's Discussion and Analysis on pages 6 through 14 and the budgetary comparison information on page 21, are not required parts of the basic financial statements but are supplementary information required

by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary combining and individual fund statements and schedules described in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005, on our consideration of the Town's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Hafen, Buckner, Everett & Graff PC*

HAFEN, BUCKNER, EVERETT & GRAFF, PC  
December 2, 2005

## **CITY OF LA VERKIN**

### **Management's Discussion and Analysis**

The following narrative presents management's discussion and analysis of the financial performance of the City's general governmental activities during the fiscal year ending 30 June 2005. It should be read in conjunction with the accompanying basic financial statements.

#### **Financial Highlights**

- The governmental assets of the City exceeded its liabilities at the close of the fiscal year ending June 30, 2005 by \$ 3,932,223.
- Unrestricted net assets were a deficit of \$ 122,787 as of June 30, 2005.
- As of June 30, 2005, the City of La Verkin's general fund reported an ending unreserved fund balance of \$ 147,775.
- The City had total bonded debt of \$ 923,580 at June 30, 2005 which was principally related to street improvements paid for with street revenue bonds.

#### **Overview of the Financial Statements**

This discussion and analysis serves as an introduction to the City's basic financial statements. The City's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information is included, as necessary, for clarification.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements include the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* includes all of the City's assets and liabilities, and the resulting difference between the assets and liabilities, or net assets. Net assets (and the related change in net assets from year to year) are probably the most important financial measurement to enable understanding of the financial position of the City, and whether financial position improves or deteriorates each year. To assess the overall health of the City, additional non-financial factors such as changes in the property tax base, the condition of the City's infrastructure, etc. should be also be considered.

The *Statement of Activities* shows how the City's net assets changed as a result of its operations during the most recent fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported whenever an event occurs that requires a revenue or expense to be recognized, regardless of when the related cash is received or disbursed (the accrual basis of accounting). For example, most revenues are reported when the revenues are legally due, even though they may not be collected for some time after that date; and an obligation to pay a supplier is reported as an expense when the goods or services are received, even though the bill may not be paid until sometime later.

There are two distinct types of activities reflected in the government-wide statements, governmental activities and business-type activities. Governmental activities are those supported primarily by intergovernmental revenues, taxes, and fees for services, while business-type activities are those in which all costs (or at least a significant portion of costs) are intended to be recovered through user fees and charges. The City's governmental activities include such functions as maintenance of roads, parks, and cemeteries, fire protection, animal control, law enforcement, building inspection, solid waste removal, general government record-keeping, local legislation, and administration. The business-type activities of the City of La Verkin include water utilities, sewer utilities, irrigation utilities, garbage utilities and drainage.

### **Fund Financial Statements**

As is common with other state or local government entities, the City of La Verkin uses *funds* to account for separate activities and to help demonstrate compliance with financially related legal requirements (such as budgetary compliance). A fund is a set of closely related accounts used to maintain control over financial resources which have been segregated for specific activities or purposes. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based on the purposes for which the funds are to be spent as well as by how the activities are to be controlled. The three broad categories of funds are: Governmental Funds, Proprietary Funds and Fiduciary Funds.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The City currently maintains four individual governmental funds which include:

- 1) **General Fund.** The general fund is the operating fund of the City. Revenues from intergovernmental sources, fees for services, and all other sources are received into this fund. Expenditures include operation and administrative costs.
- 2) **Capital Projects Fund (Streets).** In May 2000 the citizens bonded for a badly needed City Street renovation project. The bond is a revenue bond and is included in the liabilities of the general fund and is payable in quarterly installments of \$ 22,094 through May 2010.

- 3) **Capital Projects Fund (Parks).** This fund allows for dedicated monies to be held for park improvements.

The General Fund and the Capital Projects Fund (Streets) are considered major funds and the other Capital Projects Fund is a non-major fund. The composition of the non-major funds is shown in combining statements included in the report under the supplementary information section.

#### **Proprietary Funds**

Proprietary funds are used to account for business-type activities and are measured using a method similar to commercial business accounting. The city uses only the enterprise type of proprietary funds which are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City currently operates enterprise funds for the City-owned water system, the billing for Special Service Districts operating a regional sewer system and County wide solid waste or garbage collection system, an irrigation system and a storm drainage system.

#### **Fiduciary Funds**

Fiduciary funds, which consist solely of trust and agency funds, are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* included in the government-wide financial statements because the resources are *not* available to support the City's operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's only fiduciary fund is the Cemetery Perpetual Care Fund.

#### **Notes to the Financial Statement**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of La Verkin. The City adopts an annual appropriated budget for the governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

#### **Government-wide Financial Analysis**

As previously noted, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the City of La Verkin, assets exceeded liabilities by \$3,932,223 at the close of the most recent fiscal year.



## Statement of Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Current and other assets	\$ 313,586	\$ 579,403	\$ 801,564	\$ 917,745
Capital assets	4,173,059	4,271,676	1,714,337	1,740,158
Total assets	4,486,645	4,851,079	2,515,901	2,657,903
Long-term debt outstanding	389,066	549,929	540,000	518,000
Other liabilities	287,987	368,927	135,384	120,591
Total liabilities	677,053	918,856	675,384	638,591
Net assets:				
Invested in capital assets, net of debt	3,723,264	3,907,235	1,154,337	1,201,158
Restricted	1,654	147,775	204,423	493,146
Unrestricted	84,674	(122,787)	481,757	325,008
Total net assets	<u>\$3,809,592</u>	<u>\$3,932,223</u>	<u>\$1,840,517</u>	<u>\$1,730,760</u>

## Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>
Revenues				
Program revenues:				
Charges for services	\$ 111,608	\$ 312,980	\$ 1,007,039	\$ 1,356,414
Operating grants & contributions	5,388	61,384	---	---
Capital grants & contributions	---	---	---	---
General revenues:				
Property taxes	182,833	249,825	---	---
Other taxes	572,134	638,794	---	---
Investment income	8,608	6,842	7,138	9,831
Other revenues	121,359	203,803	143,064	27,102
Total revenues	<u>1,001,930</u>	<u>1,473,628</u>	<u>1,157,241</u>	<u>1,393,347</u>
Expenses:				
General government	441,112	555,443	---	---
Public safety	245,653	420,816	---	---
Public Health	---	---	---	---
Public works	369,286	176,438	---	---
Parks and recreation	113,650	291,018	---	---
Interest on long-term debt	30,945	30,400	---	---
Water	---	---	514,033	504,320
Sewer	---	---	303,602	257,428
Irrigation	---	---	14,964	14,555
Garbage	---	---	127,903	112,632
Drainage	---	---	87,000	---
Total Expenses	<u>1,200,646</u>	<u>1,474,115</u>	<u>1,047,502</u>	<u>948,620</u>
Increase (decrease) in net assets	(198,716)	(487)	109,739	444,727
Transfers	---	123,118	---	(355,918)
Net assets, beginning	4,008,308	3,809,592	1,730,760	1,840,517
Prior Period Adjustment	---	---	18	89,986
Net assets, Ending	<u>\$3,809,592</u>	<u>\$3,932,223</u>	<u>\$1,840,517</u>	<u>\$2,019,312</u>

As with the preceding statement, this is the first year to report governmental activities on the new standard, therefore like-comparison to a prior year is not available. In future years this section will discuss and analyze significant differences between years.

## **Governmental Activities**

### *Revenue Highlights:*

Taxes comprise a significant source of revenue for the City's governmental activities; approximately \$249,825 or 21 percent in fiscal year 2005 and \$182,833 or 18 percent in fiscal year 2004 of total revenues from governmental activities came from property taxes. Sales & use taxes made up 29% of total revenue in 2005 and amounted to \$334,018. Highway and franchise taxes accounted for 13% of 2005 revenue and amounted to \$147,050.

Charges for services amounted to \$312,980 or 27 percent of total revenues in fiscal year 2005.

Transfers from other funds to the general fund amounted to \$123,118.

### *Expense Highlights:*

General government expenses of approximately \$555,443 in fiscal year 2005 accounted for 38% of general fund expenses. General government includes such services as Mayor, Town Council, Judicial, Administration, Budget, Building Maintenance, Economic Development, Public Affairs, and Non-departmental.

Public Safety expenses increased in fiscal year 2005 to \$420,816 or 29 percent from \$245,653 or 20 percent in fiscal year 2004.

Total revenues were \$487 less than expenses for fiscal year 2005.

## **Business-type Activities**

### *Revenue Highlights:*

Total revenues in business-type activities increased by approximately \$236,000 with impact fees collected accounting for \$ 174,000 of the increase. Fees charged for services increased approximately \$54,000. Total revenues from business-type activities amounted to \$ 1,393,347 in fiscal year 2005 and \$ 1,157,241 in fiscal year 2004.

### *Expense Highlights:*

Total expenses in business-type activities increased by approximately \$7,900 for fiscal year 2005 which is an increase of less than one percent over expenses in fiscal year 2004.

## **Financial Analysis of the City's Funds**

**Governmental Funds:** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

As of June 30, 2005, the City's governmental funds (General and Capital Projects) reported combined fund balances of \$296,696. This represents an increase of \$210,368.

**Proprietary Funds:** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the City's enterprise funds totaled approximately \$1,840,517 in fiscal year 2004 as compared to \$2,019,312 as adjusted at the end of fiscal year 2005. The increase in net assets appears to be from operations and is consistent with increases in prior fiscal years.

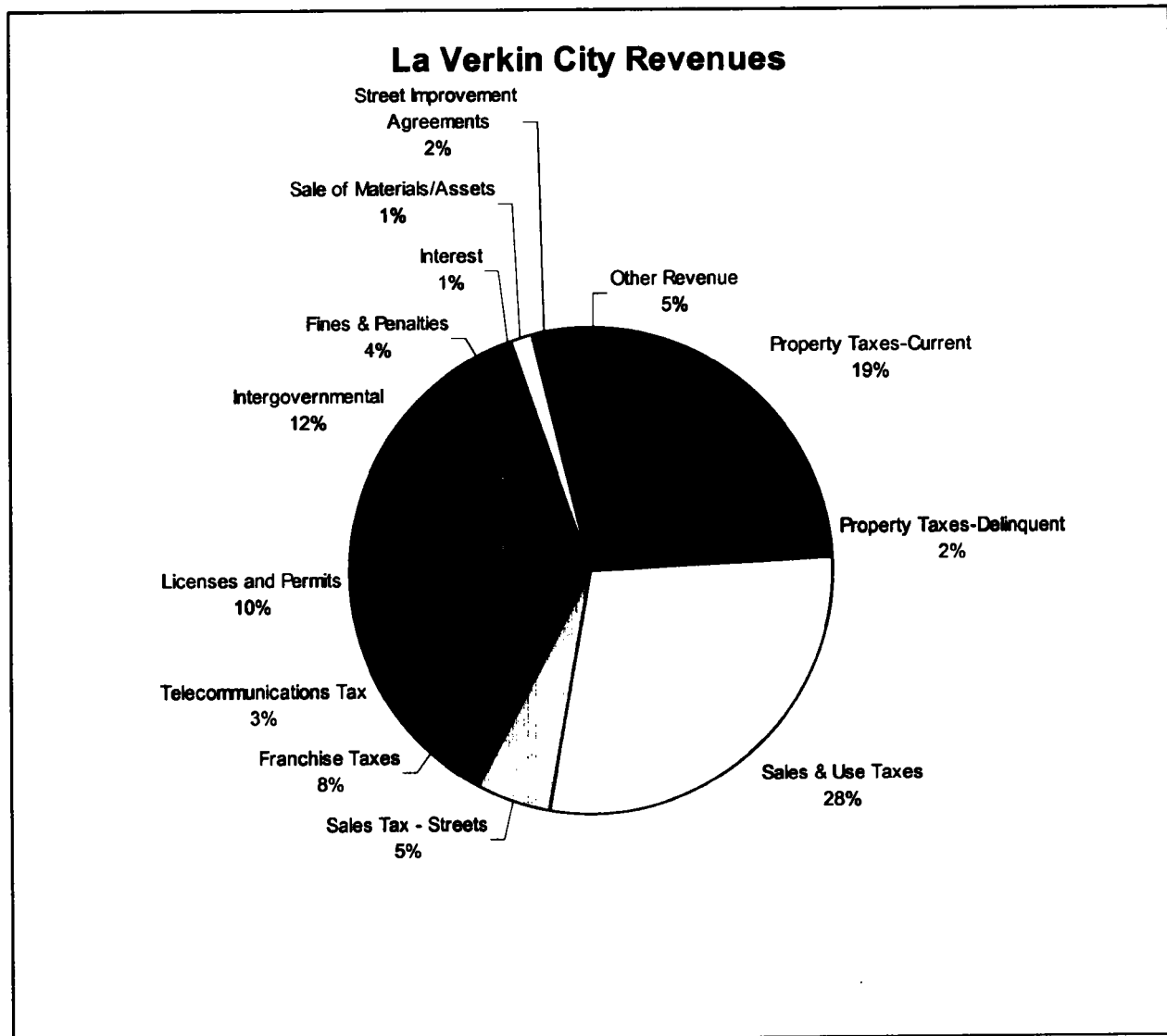
### **General Fund Budgetary Highlights**

The City Council approved the general fund budget at its regular meeting on 16 June 2004. Significant budget amendments included reducing the fire department's budget \$216,780 because of the failure to obtain a grant for the purchase of fire equipment. At the close of the fiscal year, revenues had exceeded the amended budget figure by \$61,961 and actual expenditures exceeded the amended budget by \$239,655.

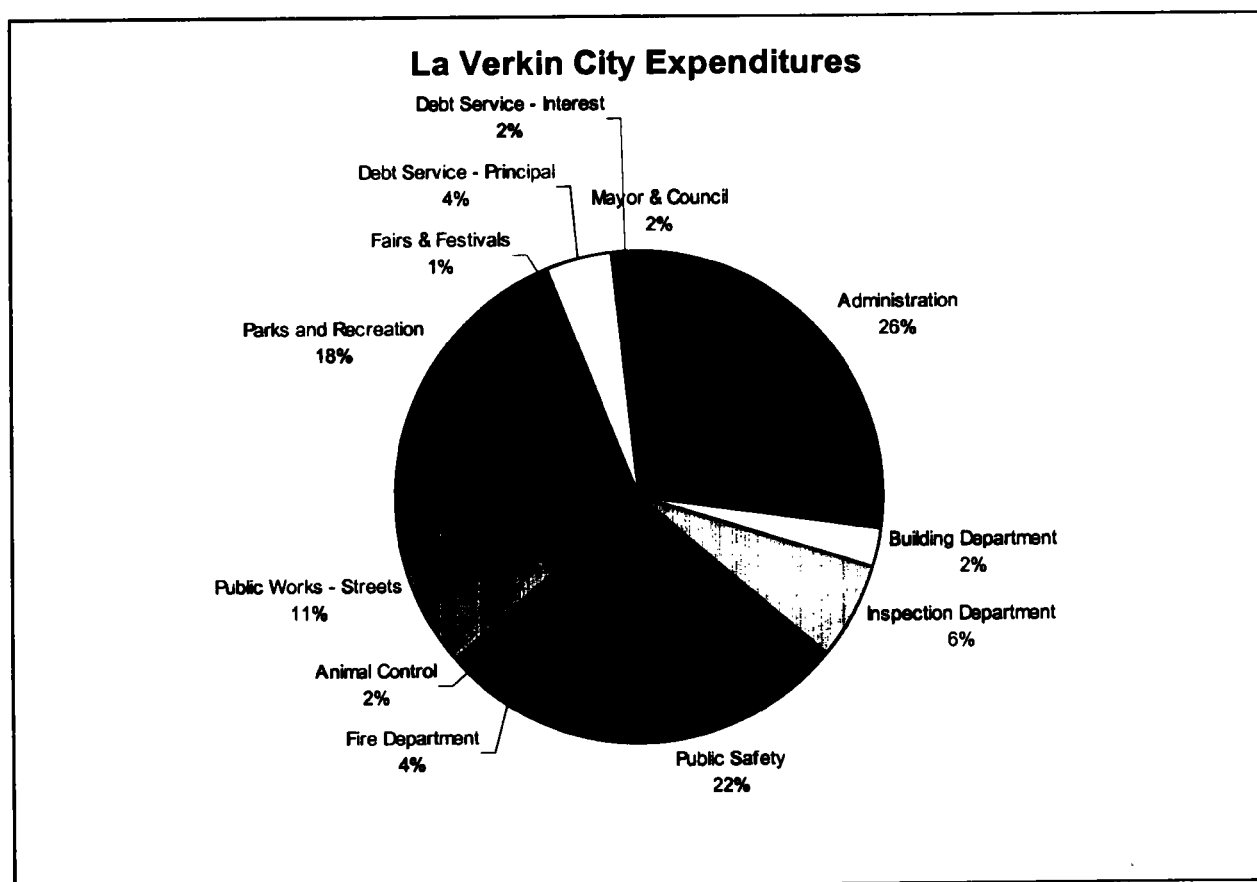
### **Summary of Actual to Budgeted Revenues & Expenses**

	<b><u>Original Budget</u></b>	<b><u>Amended Budget</u></b>	<b><u>Actual (Budgetary Basis)</u></b>
<b>Total Revenues</b>	\$ 1,221,975	\$ 1,104,695	\$ 1,166,656
<b>Total Expenditures including Capital Outlay</b>	\$ 1,465,751	\$ 1,345,971	\$ 1,585,626
<b>Net Revenue Over Expenditures</b>	<u>\$ (243,776)</u>	<u>\$ (241,276)</u>	<u>\$ (418,970)</u>

The following chart depicts the City's General Fund revenues by source and percentage:



The following chart depicts the City's General Fund expenditures by general category and percentage:



### Capital Assets and Debt Administration

#### **Capital Assets**

The City's fiscal year 2005 investment in capital assets amounted to \$ 594,831. Fiscal year 2005 additions, subject to capitalization, included principally street improvements and park improvements.

#### Summary of Net Capital Assets

General Government	\$ 509,903	Parks & Recreation	\$ 567,026
Public Works	\$ 6,849,156	Depreciation	\$ 3,765,947
Public Safety	\$ 111,538	Total Net	
		Capital Assets	\$ 4,271,676

The City of La Verkin incurred no long-term debt to the general fund during the fiscal year ending 30 June 2005. However the City did enter into a number of capital leases including one For \$ 205,000 for the purchase of a new city office building and was related to former rental property that was converted into an expansion of the City Park.

### **Requests for Information**

This financial report is designed to provide interested parties with a general overview of the City's financial status. Questions concerning any of the reports and information contained in this financial audit, or requests for additional financial information, should be addressed to the City of La Verkin, 111 South Main Street, LaVerkin, UT 84745. Complete financial statements for the City of La Verkin may be viewed at the City Offices located at La Verkin, Utah.

**City of La Verkin**  
**Statement of Net Assets**  
**June 30, 2005**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and Investments	\$ 127,205	\$ 314,251	\$ 441,456
Accounts Receivable	4,135	118,268	122,403
Less Allowance for Bad Debts	-	(11,266)	(11,266)
Taxes Receivable	204,261	-	204,261
Due from Other Governments	80,819	3,346	84,165
Prepaid & Other Assets	15,208	-	15,208
Total Current Assets	<u>431,628</u>	<u>424,599</u>	<u>856,227</u>
<b>Restricted Assets:</b>			
Cash and Investments	<u>147,775</u>	<u>493,146</u>	<u>640,921</u>
<b>Capital Assets:</b>			
Land	394,544	1,888	396,432
Buildings, Improvements, & Parks	689,497	-	689,497
Distribution Systems	-	2,454,029	2,454,029
Machinery and Equipment	172,745	299,647	472,392
Office Furniture & Equipment	18,703	-	18,703
Vehicles	109,570	-	109,570
Infrastructure	6,652,564	-	6,652,564
Accumulated Depreciation	(3,765,947)	(1,139,697)	(4,905,644)
Water Rights and Other	-	124,291	124,291
Total Capital Assets Net of Accumulated Depreciation	<u>4,271,676</u>	<u>1,740,158</u>	<u>6,011,834</u>
<b>Total Assets</b>	<b><u>\$ 4,851,079</u></b>	<b><u>\$ 2,657,903</u></b>	<b><u>\$ 7,508,982</u></b>
<b>Liabilities</b>			
<b>Current Liabilities:</b>			
Accounts Payable	35,868	\$ 65,214	101,082
Accrued Liabilities	42,578	-	42,578
Accrued Interest Payable	-	-	-
Deferred Revenue	184,159	-	184,159
Current Portion of Capital Leases	37,656	-	37,656
Current Bonds and Discounts Payable	68,666	21,000	89,666
Total Current Liabilities	<u>368,927</u>	<u>86,214</u>	<u>455,141</u>
<b>Noncurrent Liabilities:</b>			
Customer Deposits	-	21,088	21,088
Accrued Compensated Absences	-	13,289	13,289
Long Term Portion of Capital Leases	234,015	-	234,015
Long Term Portion of Bonds Payable	315,914	518,000	833,914
Total Noncurrent Liabilities	<u>549,929</u>	<u>552,377</u>	<u>1,102,306</u>
<b>Total Liabilities</b>	<b><u>918,856</u></b>	<b><u>638,591</u></b>	<b><u>1,557,447</u></b>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	3,907,235	1,201,158	5,108,393
Restricted	147,775	493,146	640,921
Unrestricted	(122,787)	325,008	202,221
<b>Total Net Assets</b>	<b><u>\$ 3,932,223</u></b>	<b><u>\$ 2,019,312</u></b>	<b><u>\$ 5,951,535</u></b>

The notes to the financial statements are an integral part of this statement.

**City of La Verkin**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

Function/Programs	Program Revenues				Net (Expense) Rev & Chgs in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
Governmental Activities:							
General Government	\$ 555,443	\$ 114,542	\$ -	\$ -	\$ (440,901)		\$ (440,901)
Public Safety - Police	321,497	20,363	61,384	-	(239,750)		(239,750)
Public Safety - Fire	67,819	-	-	-	(67,819)		(67,819)
Public Safety - Animal Control	31,500	-	-	-	(31,500)		(31,500)
Public Works	176,438	42,626	-	-	(133,812)		(133,812)
Parks and Recreation	291,018	135,449	-	-	(155,569)		(155,569)
Intergovernmental	-	-	-	-	-		-
Interest on Long-term Debt	30,400	-	-	-	(30,400)		(30,400)
Total Governmental Activities	<u>1,474,115</u>	<u>312,980</u>	<u>61,384</u>	<u>-</u>	<u>(1,099,751)</u>	<u>-</u>	<u>(1,099,751)</u>
Business-type Activities:							
Water	508,925	814,636	-	-		305,711	305,711
Sewer	298,908	290,847	-	-		(8,061)	(8,061)
Irrigation	14,132	15,185	-	-		1,053	1,053
Garbage	126,655	130,739	-	-		4,084	4,084
Drainage	-	105,007	-	-		105,007	105,007
Total Business-type Activities	<u>948,620</u>	<u>1,356,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>407,794</u>	<u>407,794</u>
<b>Total Primary Government</b>	<u>\$ 2,422,735</u>	<u>\$ 1,669,394</u>	<u>\$ 61,384</u>	<u>\$ -</u>	<u>(1,099,751)</u>	<u>407,794</u>	<u>(691,957)</u>
General Revenues:							
Property Taxes					249,825		249,825
Fee in Lieu of Taxes							
Sales and Use Taxes					390,890		390,890
Franchise Taxes					90,178		90,178
Telecommunication Tax					39,510		39,510
Highway Taxes					115,879		115,879
State Liquor Money					2,337		2,337
Unrestricted Investment Earnings					6,842	9,831	16,673
Miscellaneous					203,803	27,102	230,905
Transfers					<u>123,118</u>	<u>(355,918)</u>	<u>(232,800)</u>
Total General Revenues and Transfers					<u>1,222,382</u>	<u>(318,985)</u>	<u>903,397</u>
Change in Net Assets					122,631	88,809	211,440
Net assets - Beginning- as Restated for Prior Period							
Adjustment (See note 13)					<u>3,809,592</u>	<u>1,930,503</u>	<u>5,740,095</u>
Net assets - Ending					<u>\$ 3,932,223</u>	<u>\$ 2,019,312</u>	<u>\$ 5,951,535</u>

The notes to the financial statements are an integral part of this statement.



City of La Verkin  
Balance Sheet  
Governmental Funds  
June 30, 2005

	General	Streets Capital Project	New Building Capital Project	Parks Fund Non-major Governmental Funds	Totals
<i>Assets</i>					
Cash - Unrestricted	\$ 179,740	\$ (62,906)	\$ 7,827	\$ 2,544	\$ 127,205
Cash - Restricted	147,775	-	-	-	147,775
Accounts Receivable	4,135	-	-	-	4,135
Taxes Receivable	-	-	-	-	-
Prepaid & Other Assets	15,208	-	-	-	15,208
Due From Other Governments	80,819	-	-	-	80,819
<b>Total Assets</b>	<b>\$ 427,677</b>	<b>\$ (62,906)</b>	<b>\$ 7,827</b>	<b>\$ 2,544</b>	<b>\$ 375,142</b>
<i>Liabilities</i>					
Accounts Payable	\$ 31,374	\$ -	\$ 4,494	\$ -	\$ 35,868
Accrued Liabilities	42,578	-	-	-	42,578
Deferred Revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>73,952</b>	<b>-</b>	<b>4,494</b>	<b>-</b>	<b>78,446</b>
<i>Fund Equity</i>					
Fund Balance - Unreserved	205,950	(62,906)	3,333	2,544	148,921
Fund Balance - Reserved	147,775	-	-	-	147,775
<b>Total Fund Equity</b>	<b>353,725</b>	<b>(62,906)</b>	<b>3,333</b>	<b>2,544</b>	<b>296,696</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 427,677</b>	<b>\$ (62,906)</b>	<b>\$ 7,827</b>	<b>\$ 2,544</b>	<b>\$ 375,142</b>

**City of La Verkin**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2005**

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Total fund balances - governmental fund types: \$ 296,696

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 394,544	
Buildings & Improvements	689,497	
Machinery & Equipment	172,745	
Office Furniture & Equipment	18,703	
Vehicles	109,570	
Infrastructure	6,652,564	
Accumulated Depreciation	<u>(3,765,947)</u>	
Total Capital Assets, Net		4,271,676

Deferred Revenue related to the current period should be reclassified as revenue and should be reported in the funds. 20,102

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of compensated absences and road improvement bonds and capital leases. (656,251)

Net assets of government activities \$ 3,932,223

**City of La Verkin**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	General Fund	Streets Capital Project	New Building Capital Project	Parks Cap/Proj Non-major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property Taxes-Current	\$ 230,121	\$ -	\$ -	\$ -	\$ 230,121
Property Taxes-Delinquent	19,704	-	-	-	19,704
Fee in lieu of taxes	-	-	-	-	-
Sales and use taxes	334,018	-	-	-	334,018
1/4% Sales Tax - Streets	56,872	-	-	-	56,872
Franchise Taxes	90,178	-	-	-	90,178
Telecommunications Tax	39,510	-	-	-	39,510
Licenses and permits	114,542	-	-	-	114,542
Intergovernmental revenue	136,776	-	-	-	136,776
Charge for services	-	-	-	-	-
Fines and Penalties	42,940	-	-	-	42,940
Interest Income	6,842	-	-	-	6,842
Sale of materials/assets	16,440	-	-	-	16,440
Street Improvement Agreements	19,066	-	-	-	19,066
Other Revenues	59,647	-	-	-	59,647
<b>Total Revenues</b>	<b>1,166,656</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,166,656</b>
<b>Expenditures</b>					
Mayor and council	26,965	-	-	-	26,965
Administration	391,452	-	-	-	391,452
Building Department	37,306	-	-	-	37,306
Inspection Department	99,720	-	-	-	99,720
Public Safety	321,497	-	-	-	321,497
Fire Department	67,819	-	-	-	67,819
Animal Control	31,500	-	-	-	31,500
Public Works - Streets	175,689	749	-	-	176,438
Parks and Recreation	277,772	-	-	17,870	295,642
Fairs & Festivals	13,246	-	-	-	13,246
Cemetery	-	-	-	-	-
Capital Outlay - Other	-	-	201,667	55	201,722
Debt Service - Principal	65,754	-	-	-	65,754
Debt Service - Interest	27,175	-	-	-	27,175
<b>Total Expenditures</b>	<b>1,535,895</b>	<b>749</b>	<b>201,667</b>	<b>17,925</b>	<b>1,756,236</b>
Excess (Deficiency) of Revenue over Expenditures	(369,239)	(749)	(201,667)	(17,925)	(589,580)
<b>Other Financing Sources (Uses):</b>					
Impact Fees	166,253	-	-	-	166,253
Interest Income	-	2,253	-	-	2,253
Lease Proceeds	237,016	-	-	-	237,016
Operating transfers out	(235,000)	-	-	-	(235,000)
Operating transfers in	358,118	-	205,000	30,000	593,118
Excess of revenue and other sources over (under) expenditures and other uses	157,148	1,504	3,333	12,075	174,060
Prior Period Adjustment (Note )	36,308	-	-	-	36,308
Fund Balance at Beginning of Year	160,269	(64,410)	-	(9,531)	86,328
<b>Fund Balance at End of Year</b>	<b>\$ 353,725</b>	<b>\$ (62,906)</b>	<b>\$ 3,333</b>	<b>\$ 2,544</b>	<b>\$ 296,696</b>

The notes to the financial statements are an integral part of this statement.

**City of La Verkin**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2005**

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Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 174,060
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(138,398)
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Net effect of revenues reported on the accrual basis in the Statement of Activities that do not provide current financial resources and thus are not reported as revenues in the funds until available.	(20,102)
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The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>107,071</u>
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Change in net assets of governmental activities	<u><u>\$ 122,631</u></u>
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**City of La Verkin**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual - General Fund Types**  
**For the Year Ended June 30, 2005**

	General Fund Types			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over/(Under)</u>
	<u>Original</u>	<u>Revised</u>		
<b>Revenues</b>				
Property Taxes-Current	\$ 182,000	\$ 195,000	\$ 230,121	\$ 35,121
Property Taxes-Delinquent	30,000	30,000	19,704	(10,296)
Fee in Lieu of Taxes	25,000	25,000	-	(25,000)
Sales & Use Taxes	300,000	300,000	334,018	34,018
1/4% Sales Tax (Streets)	33,777	41,777	56,872	15,095
Franchise Taxes	87,073	87,073	90,178	3,105
Telecommunications Tax	20,000	33,000	39,510	6,510
Licenses and Permits	67,000	112,000	114,542	2,542
Intergovernmental	348,436	148,156	136,776	(11,380)
Charges for Services	-	-	-	-
Fines & Penalties	51,000	51,000	42,940	(8,060)
Interest	10,000	10,000	6,842	(3,158)
Sale of Materials/Assets	7,400	7,400	16,440	9,040
Street Improvement Agreements	15,000	19,000	19,066	66
Other Revenue	45,289	45,289	59,647	14,358
<b>Total Revenues</b>	<b>1,221,975</b>	<b>1,104,695</b>	<b>1,166,656</b>	<b>61,961</b>
<b>Expenditures</b>				
Mayor & Council	25,212	30,212	26,965	(3,247)
Administration	330,081	357,642	401,278	43,636
Building Department	30,881	35,881	37,306	1,425
Inspection Department	87,454	92,454	112,575	20,121
Public Safety	303,356	320,856	333,449	12,593
Fire Department	307,122	90,342	67,819	(22,523)
Animal Control	30,500	31,500	31,500	-
Public Works - Streets	150,832	175,832	186,502	10,670
Parks and Recreation	95,681	103,109	282,057	178,948
Fairs & Festivals	10,000	13,511	13,246	(265)
Cemetery	-	-	-	-
Debt Service - Principal	64,232	64,232	65,754	1,522
Debt Service - Interest	30,400	30,400	27,175	(3,225)
<b>Total Expenditures</b>	<b>1,465,751</b>	<b>1,345,971</b>	<b>1,585,626</b>	<b>239,655</b>
Excess (Deficiency) of Revenue over Expen	(243,776)	(241,276)	(418,970)	(177,694)
<b>Other Financing Sources (Uses):</b>				
Proceeds of Capital Lease Obligation	-	-	-	-
Impact Fees	22,000	160,500	166,253	5,753
Lease Proceeds	-	237,000	237,016	16
Operating Transfers Out	-	(450,000)	(235,000)	215,000
Operating Transfers In	241,783	241,783	358,118	116,335
Prior Period Adjustment (Note )	-	-	36,308	36,308
Fund Balance at Beginning of Year	160,269	160,269	160,269	-
<b>Fund Balance at End of Year</b>	<b>\$ 180,276</b>	<b>\$ 108,276</b>	<b>\$ 303,994</b>	<b>\$ 195,718</b>

City of La Verkin  
Statement of Net Assets  
Proprietary Funds  
June 30, 2005

	Business-Type Activities - Enterprise Funds				
	Water	Sewer	Irrigation	Garbage	Drainage
Assets					Total
<b>Current Assets:</b>					
Cash and Investments	\$ 228,689	\$ (25,543)	\$ 326	\$ 3,777	\$ 107,002
Accounts Receivable	49,817	36,282	2,063	17,448	12,658
Less Allowance for Doubtful Accounts	(10,959)	(205)	-	(102)	-
Due from Other Governments	3,346	-	-	-	-
Inventory of Supplies	-	-	-	-	-
Total Current Assets	270,893	10,534	2,389	21,123	119,660
					424,599
<b>Restricted Assets:</b>					
Cash and Investments	493,146	-	-	-	-
					493,146
<b>Capital Assets:</b>					
Buildings and Parks	1,888	-	-	-	-
Distribution Systems	2,454,029	-	-	-	-
Machinery and Equipment	299,647	-	-	-	-
Accumulated Depreciation	(1,139,697)	-	-	-	-
Water Rights and Other	124,291	-	-	-	-
Total Capital Assets Net of Accumulated Depreciation	1,740,158	-	-	-	-
Total Assets	\$ 2,504,197	\$ 10,534	\$ 2,389	\$ 21,123	\$ 119,660
					\$ 2,657,903
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 29,271	\$ 23,388	\$ 1,809	\$ 10,746	\$ -
Accrued Interest Payable	-	-	-	-	-
Current Bonds and Discounts Payable	21,000	-	-	-	-
Total Current Liabilities	50,271	23,388	1,809	10,746	-
					86,214
<b>Noncurrent Liabilities:</b>					
Customer Deposits	21,088	-	-	-	-
Accrued Compensated Absences	13,289	-	-	-	-
Bonds Payable	518,000	-	-	-	-
Total Noncurrent Liabilities	552,377	-	-	-	-
Total Liabilities	602,648	23,388	1,809	10,746	-
					638,591
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	1,201,158	-	-	-	-
Restricted	493,146	-	-	-	-
Unrestricted	207,245	(12,854)	580	10,377	119,660
Total Net Assets	\$ 1,901,549	\$ (12,854)	\$ 580	\$ 10,377	\$ 119,660
					\$ 2,019,312

The notes to the financial statements are an integral part of this statement.

**City of La Verkin**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2004**

	Water	Sewer	Irrigation	Garbage	Drainage	Total
<b>Operating Revenues:</b>						
Fees for Services Provided	\$ 531,681	\$ 290,847	\$ 15,185	\$ 130,739	\$ 93,010	\$ 1,061,462
Late Fees & Penalties	27,139	-	-	-	-	27,139
Miscellaneous	32,602	-	100	-	-	32,702
<b>Total Operating Revenues</b>	<b>591,422</b>	<b>290,847</b>	<b>15,285</b>	<b>130,739</b>	<b>93,010</b>	<b>1,121,303</b>
<b>Operating Expenses</b>						
Salaries	133,221	-	-	-	-	133,221
Employee Benefits	97,926	-	-	-	-	97,926
Insurance	-	-	-	-	-	-
Depreciation	159,596	-	-	-	-	159,596
Supplies, Tools, & Vehicle Costs	24,172	-	-	-	-	24,172
Water / Sewer Charges	62,340	298,908	14,132	126,655	-	502,035
Other Expenses	4,712	-	-	-	-	4,712
Office Expense	21,487	-	-	-	-	21,487
Outside Services	5,471	-	-	-	-	5,471
<b>Total Operating Expenses</b>	<b>508,925</b>	<b>298,908</b>	<b>14,132</b>	<b>126,655</b>	<b>-</b>	<b>948,620</b>
Operating Income (Loss)	82,497	(8,061)	1,153	4,084	93,010	172,683
<b>Nonoperating Revenues (Expenses)</b>						
Transfer from (to) General Fund	(256,158)	-	(760)	(4,000)	(95,000)	(355,918)
Interest Income/ Bond Discount	9,831	-	-	-	-	9,831
Interest Expense	(5,600)	-	-	-	-	(5,600)
Impact Fees	255,816	-	-	-	11,997	267,813
<b>Total Nonoperating Revenues (Expenses)</b>	<b>3,889</b>	<b>-</b>	<b>(760)</b>	<b>(4,000)</b>	<b>(83,003)</b>	<b>(83,874)</b>
<b>Change in Net Assets</b>	<b>86,386</b>	<b>(8,061)</b>	<b>393</b>	<b>84</b>	<b>10,007</b>	<b>88,809</b>
Prior Period Adjustment	89,986	-	-	-	-	89,986
Total Net Assets - Beginning	1,725,177	(4,793)	187	10,293	109,653	1,840,517
<b>Total Net Assets - Ending</b>	<b>\$ 1,901,549</b>	<b>\$ (12,854)</b>	<b>\$ 580</b>	<b>\$ 10,377</b>	<b>\$ 119,660</b>	<b>\$ 2,019,312</b>

The notes to the financial statements are an integral part of this statement.

City of La Verkin  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2005

	<b>Business-Type Activities - Enterprise Funds</b>					
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Irrigation Utility</b>	<b>Garbage</b>	<b>Drainage</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>						
Cash Received from Customers	\$ 596,792	\$ 279,607	\$ 14,161	\$ 121,351	\$ 91,480	\$ 1,103,391
Cash Received from Customers, Other	-	-	-	-	-	-
Cash Paid to Suppliers	(236,775)	(291,011)	(13,046)	(118,748)	-	(659,580)
Cash Paid to Employees	(133,221)	-	-	-	-	(133,221)
<b>Net Cash Provided by Operating Activities</b>	<b>226,796</b>	<b>(11,404)</b>	<b>1,115</b>	<b>2,603</b>	<b>91,480</b>	<b>310,590</b>
<b>Cash Flows from Capital and Related Financing Activities</b>						
Acquisition and Construction of Capital Assets	(82,225)	-	-	-	-	(82,225)
Impact Fees Received	255,816	-	-	-	11,997	267,813
Principal Paid on Long-term Debt	(21,000)	-	-	-	-	(21,000)
Transfer from (to) Other Funds	(256,158)	-	(760)	(4,000)	(95,000)	(355,918)
Interest Paid	(5,600)	-	-	-	-	(5,600)
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(109,167)</b>	<b>-</b>	<b>(760)</b>	<b>(4,000)</b>	<b>(83,003)</b>	<b>(196,930)</b>
<b>Cash Flows from Investing Activities</b>						
Proceeds from Interest Earnings	9,831	-	-	-	-	9,831
Net Increase (Decrease) in Cash and Cash Equivalents	127,460	(11,404)	355	(1,397)	8,477	123,491
Cash and Cash Equivalents at Beginning of Year	594,375	(14,139)	(29)	5,174	98,525	683,906
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 721,835</b>	<b>\$ (25,543)</b>	<b>\$ 326</b>	<b>\$ 3,777</b>	<b>\$ 107,002</b>	<b>\$ 807,397</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operations:</b>						
Operating Income (Loss)	\$ 82,497	\$ (8,061)	\$ 1,153	\$ 4,084	\$ 93,010	\$ 172,683
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:						
Depreciation	159,596	-	-	-	-	159,596
Change in Assets and Liabilities:						
Decrease (Increase) in Receivables	5,370	(4,211)	(233)	(2,253)	(1,530)	(2,857)
Decrease (Increase) in Inventories	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	(20,667)	868	195	772	-	(18,832)
Increase (Decrease) in Customer Deposits	-	-	-	-	-	-
Increase (Decrease) in Compensated Absences	-	-	-	-	-	-
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 226,796</b>	<b>\$ (11,404)</b>	<b>\$ 1,115</b>	<b>\$ 2,603</b>	<b>\$ 91,480</b>	<b>\$ 310,590</b>

The notes to the financial statements are an integral part of this statement.



**City of La Verkin**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Fund**  
**June 30, 2005**

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	<u>Cemetery</u> <u>Perpetual Care</u>
<i>Assets</i>	
Cash and Investments	\$ 12,191
<i>Total Assets</i>	<u>\$ 12,191</u>
 <i>Net Assets</i>	
Held in Non-expendable Trust	\$ 12,191
<i>Total Net Assets</i>	<u>\$ 12,191</u>

The notes to the financial statements are an integral part of this statement.

**City of La Verkin**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Fund**  
**For the Year Ended June 30, 2005**

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	<b>Cemetery Perpetual Care</b>
<i><b>Additions</b></i>	
Sale of Cemetery Lots	\$ 8,640
Grave Opening Charges	\$ 1,240
Interest Earnings	-
<i><b>Total Additions</b></i>	<u>9,880</u>
<i><b>Reductions</b></i>	
Transfer to General Fund	2,200
<b>Change in Net Assets</b>	7,680
Held in Non-expendable Trust:	
Total Net Assets - Beginning	<u>4,511</u>
<i><b>Total Net Assets - Ending</b></i>	<u><u>\$ 12,191</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of La Verkin(The City) is incorporated under the laws of the State of Utah and operates within the classification of a fifth class city. The City has a governing body consisting of a mayor and five council members and provides the following services as authorized by its charter: public safety, public works, culture, recreation and community development.

The financial statements of the City have been prepared to conform with generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

**A. Reporting Entity**

The City applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City has no component units included within its reporting entity.

**B. Implementation of New Accounting Standards**  
**Governmental Accounting Standards Board Statement No. 34**

For the fiscal year ended June 30, 2005, the City implemented GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* (GASB 34). This statement affects the manner in which the City records transactions and presents financial information.

State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB 34 establishes new requirements and a new reporting model, much like private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

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information.

**Management's Discussion and Analysis**—GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

**Government-Wide Financial Statements** The reporting model includes financial statements prepared using full accrual accounting for all the City's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

**Statement of Net Assets** The statement of net assets is designed to display the financial position of the Primary Government (governmental and business-type activities). The City reports capital assets in the government-wide statement of net assets and reports depreciation expense—the cost of "using up" capital assets—in the statement of activities. The net assets of the City are broken down into three categories—1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

**Statement of Activities**—The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital assets and certain other long-term assets and liabilities in the statement of net assets and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities. Implementation of GASB 34 has had a significant impact on the City's financial statements for the year ended June 30, 2005.

**Governmental Accounting Standards Board Statement No. 37**

For the fiscal year ended June 30, 2004, the City implemented GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* (GASB 37). This statement amends GASB 34 to either: 1) clarify certain provisions, or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when implementing the provisions of GASB 34, as previously described.

**Governmental Accounting Standards Board Statement No. 38**

The City adopted the provisions of GASB No. 38, *Certain Financial Statement Note Disclosures* (GASB 38). This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provi-

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

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sions of GASB 38.

**Governmental Accounting Standards Board Interpretation No. 6**

For the fiscal year ended June 30, 2004 the City implemented GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Government Fund Financial Statements*. This interpretation clarifies the application standards for modified accrual recognition of certain liabilities and in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation affects the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB 34, but has no direct effect on the government-wide financial statements. Accordingly, the City has not recognized the current portion of certain long-term liabilities and related expenditures in the governmental funds financial statements for amounts not considered to be due and payable as of June 30, 2005. The City also considered the effects of this interpretation when implementing the provisions of GASB 34 as previously described.

**C. BASIC FINANCIAL STATEMENTS**

Basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government audits component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. Exceptions to this general rule are charges between the City's Water Fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges

**CITY OF LA VERKIN, Utah**  
**Notes to Financial Statements**  
**June 30, 2005**

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(business-type activities). The governmental activities of the City include general government, public safety (police and fire), public improvements, and parks & recreation.

The business-type activities of the City include water, sewer, Irrigation, Garbage & Drainage.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions, including special assessments, that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified-accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 180 days after year-end, except for property taxes, which the City considers available if they are collected within 60 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current

CITY OF LA VERKIN, Utah  
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fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

The Street Improvement and the Park Improvement funds are Capital Project Funds. They account for the activities of the respective projects.

The City reports the following major proprietary funds:

The Water Utility Fund accounts for the activities of providing water service to the citizens of the City.

The Sewer Utility Fund accounts for the activities of providing sewer services. Ash Creek Special Service District operates a regional sewer service and bills the participating towns each month.

The Irrigation Utility Fund accounts for the activities of providing irrigation water to participating citizens. The LaVerkin Canal Company operates the irrigation system and the City bills the citizens and remits collected amounts to the canal company.

The Garbage Utility Fund accounts for the activities of providing garbage pick up service through Washington County Solid Waste District.

The Drainage Utility Fund accounts for the activities of providing Storm Drainage to the citizens of the City.

Each of these separate funds are to account for providing the applicable services to the

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
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residents of the City. All activities necessary to provide such services are accounted for in these funds, including, but not limited to, administration, operations, maintenance, financing and related debt service and billing and collection. Net working capital of the combined Enterprise Funds at June 30, 2005 amounted to \$ 338,385.

Additionally, the City reports the following fund types:

Permanent Funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs. The City has one permanent fund - The Cemetery Perpetual Care Fund.

Internal Service Funds account for vehicle operations, risk management, and information technology and communications operations that provide services to other departments of the City on a cost-reimbursement basis. The City has no internal service funds.

Fiduciary Funds, which consist solely of Agency funds, account for assets held by the City as a trustee or as an agent for individuals or other government units. The only fiduciary fund type used by the City is the Agency Fund type. Agency funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds account for assets held by the City in an agency capacity for individuals or other governmental units. The City has no Agency Funds.

Proprietary funds have elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, for proprietary funds. The proprietary funds apply all applicable GASB pronouncements as well as statements and interpretations of the FASB, the Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds and of the City's Internal Service Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
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When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## **E. ASSETS, LIABILITIES, NET ASSETS OR FUND EQUITY**

### **Cash and Investments**

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of its equity from the pool by a particular fund, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated quarterly to the various funds based on quarter-end balances and is adjusted at year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

The City's investments are carried at fair value, except for certain short-term money market investments, which approximate fair value. The fair value of the City's share of the Utah Public Treasurers Investment Fund (PTIF) is reported to the City on a quarterly basis. PTIF operates in accordance with laws and regulations of the State of Utah. The reported value of the pool is the same as the fair value of pool shares. Changes in fair value are allocated to each participating fund on an annual basis.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted, non pooled investments with initial maturities of three months or less.

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as *interfund receivables/interfund payables*, i.e., the current portion of interfund loans, or *advances to/from other funds*, the noncurrent portion of interfund loans. All other outstanding balances between funds are reported as *interfund receivables/interfund payables*. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as *internal balances*.

Advances between funds, as reported in the fund financial statements, are offset by a reservation of fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectible accounts and estimated refunds due. As of June 30, 2005 and 2004, the allowance for uncollectible accounts for governmental and

**CITY OF LA VERKIN, Utah**  
**Notes to Financial Statements**  
**June 30, 2005**

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business-type activities was \$ 0 and \$10,959, respectively.

### **Property Taxes**

The property taxes of the City of La Verkin are levied, collected and distributed by Washington County as required by Utah State law. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 22. By July 22, the county auditor is to mail notices of assessed value and tax changes to property owners. A taxpayer may then petition the county board of equalization between August 8 and August 22 for a revision of the assessed value. Approved changes in assessed value are made by the county auditor by November 1, who also delivers the completed assessment rolls to the county treasurer on that same date. Tax notices have a due date November 30.

### **Restricted Assets**

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, along with B & C Road funds, Liquor Law Enforcement funds, and Emergency Medical Technician funds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or by state statute or other restriction.

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance, resolutions, or indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

### **Capital Assets**

Capital assets, which include land, buildings, and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

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of the capitalized value of the assets constructed. No interest was capitalized during the year ended June 30, 2005.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives as follows:

Distribution Plant - Water .....	25 - 40 years
Water Treatment Plant .....	25 - 40 years
Vehicles & Equipment .....	3 - 10 years
Buildings .....	40 - 50 years
Building and Park Improvements .....	15 - 20 years

As a result of the implementation of GASB 34, the City is for the first time accounting for infrastructure assets on its financial statements. The government-wide financial statements include those infra-structure assets that were either completed during the current fiscal year or considered construction in progress at current fiscal year-end.

#### **Lease Obligations**

The City leases various assets under both operating and capital lease agreements. In the government-wide and proprietary funds financial statements, capital leases and the related lease obligations are reported as liabilities in the applicable governmental activities or proprietary funds statement of net assets.

#### **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave and comp time benefits up to a maximum determined by the city personnel policy. Employees are paid 100% of their accumulated but unused leave when they retire. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements and a liability is reported in the government Long-Term Liabilities

**CITY OF LA VERKIN, Utah**  
**Notes to Financial Statements**  
**June 30, 2005**

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In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bonds payable are reported net of the unamortized portion of applicable premium, discount, or deferred amount on refunding. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding are included in interest expense.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs are recognized when the related debt is issued. The face amount of debt issued is reported as other financing sources. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Interest and principal payments are reported as debt service expenditures.

#### **Net Assets and Fund Equity**

In the government-wide financial statements and proprietary funds financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The nonexpendable portion of permanent funds is reported as a component of restricted net assets. The City's other restricted net assets are temporarily restricted (ultimately expendable) assets. All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### **Use of Estimates**

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

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**Comparative Data**

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operation. However, comparative (i.e. presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

**Budgetary Data**

The following procedures are used in establishing the budgetary data reflected in the financial statements. The general fund budget is presented on the modified accrual basis of accounting while the budget for the enterprise funds are presented on the accrual basis of accounting.

1. For the fiscal year beginning July 1, the City Manager prepares a tentative budget which is presented to the City Council at least 7 days prior to its adoption.

2. By resolution, the City Council legally adopts the final budget prior to June 22, after a public hearing has been held.

3. Once adopted, the budget can be amended. Reductions in appropriations can be approved by the City Council, but increased appropriations require a public hearing to amending the budget.

4. Interim adjustments of estimated revenues and expenditures during fiscal year 2004 have been included in the final budget approved by the City Council, as presented in the general purpose financial statements.

**Restatement and Reclassification**

Certain restatements and reclassification of the June 30, 2004 amounts have been made in order to make such amounts consistent and comparable where applicable.

**NOTE 2: CASH AND INVESTMENTS**

The City's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

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The policy of the City is to follow the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of City funds in a "qualified depository." The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of financial institutions as meeting the requirements of the Act and adhering to the rules of the Utah Management Council.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. Allowable investments under the Act include:

- a. Negotiable or non-negotiable deposits of qualified depositories.
- b. Repurchase agreements with qualified depositories or primary reporting dealers.
- c. Commercial paper which is rated P-1 by Moody's Investors Services or A-1 by Standard and Poor's Inc. if the remaining term to maturity is 180 days or less.
- d. Banker's acceptances that are eligible for discount at a federal reserve bank and which have a remaining term of 180 days or less.
- e. Obligations of the United States Treasury, including bills, notes and bonds.
- f. Obligations issued by or fully guaranteed as to principal and interest by the following agencies or instrumentalities of the United States in which a market is made by a primary reporting government securities dealer: Federal Farm Credit banks, Federal Home Loan banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation or Student Loan Marketing Association.
- g. Shares or certificates in any open-end management investment company registered with the Securities and Exchange commission under the Investment Company Act of 1940, and the portfolio of which is restricted by law or agreement to investments in which public funds may be invested directly.

The City's carrying amount of bank deposits at June 30, 2005 is \$ 1,080,292 and the bank balances amounted to \$ 1,112,123, of which, \$66,087 was covered by Federal Depository Insurance. \$1,046,035 was uninsured and uncollateralized. Of this amount \$1,046,035 was on deposit with the State of Utah Public Treasurers' Investment Fund. No deposits are collateralized, nor are they required by state statute.

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

State law provides for combining the cash balances from the various funds as long as the General Ledger balances for each fund are maintained separately.

Cash in banks and investments in the State Treasurers fund belong to the following funds:

	General Fund	Capital Projects Funds	Enterprise Funds	Trust Fund	Total
Cash - Unrestricted	\$ 179,740	\$ 10,371	\$ 314,251	\$ ----	\$ 504,362
Cash - Restricted	147,775	----	493,146	12,191	653,112
Negative Cash	----	(62,906)	( ---)	----	(62,906)
<b>Totals</b>	<b>\$ 327,515</b>	<b>\$ (52,535)</b>	<b>\$ 807,397</b>	<b>\$ 12,191</b>	<b>\$ 1,094,568</b>

Temporary investments of the City at June 30, 2005 were all invested in the State of Utah Treasurer's Pool which is a segregated, managed investment pool of the Utah State Treasurer's Office. Those investments are stated at cost plus accrued interest. They are covered by FDIC insurance to the same degree that the total State Treasurer's Pool is covered by FDIC insurance at a given date. Their carrying amount at June 30, 2005 was \$1,046,035 and the market value was \$1,046,196.

The restricted cash and investments of the water and sewer funds are provided for in the various debt instruments as explained at Note 4.

**NOTE 3: CAPITAL ASSETS**

A summary of changes in capital assets at June 30, 2005 is as follows:

**General Capital Assets**

	Balance 6/30/04	Additions	Retirements	Balance 6/30/05
Land & Buildings	\$ 655,100	\$ 396,042	\$ 52,800	\$ 998,342
Infrastructure	6,109,766	7,000		6,116,766
Machinery & Equip	287,500	21,773		309,273
<b>Totals</b>	<b>\$ 7,052,366</b>	<b>\$ 424,815</b>	<b>\$ 52,800</b>	<b>\$ 7,424,381</b>

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

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**Accumulated Depreciation**

	<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/05</u>
Land	\$ ----	\$ ----	\$ ----	\$ ----
Buildings & Parks	54,287	29,200	3,696	79,791
Infrastructure	3,055,341	224,303	----	3,279,644
Machinery & Equip	<u>99,681</u>	<u>38,306</u>	<u>----</u>	<u>137,987</u>
Totals	<u>\$ 3,209,309</u>	<u>\$ 291,809</u>	<u>\$ 3,696</u>	<u>\$ 3,497,422</u>

The changes to capital assets including depreciation and accumulated depreciation for the year ended June 30, 2005 are documented on the following two pages:



La Verkin City  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

NOTE 3: CAPITAL ASSETS - Cont'd

	CAPITAL ASSETS			
	Balance 6/30/2004	Additions	Retirements	Prior Period Adjustment
				Balance 6/30/2005
<b><u>GENERAL</u></b>				
<b><u>GENERAL GOV</u></b>				
Land	54,000	77,535		131,535
Buildings & Improvements	216,328	143,392	52,800	306,920
Vehicles	23,780			23,780
Machinery & Equip.	28,965			28,965
Office Furn & Equip	18,703			18,703
	<u>341,776</u>	<u>220,927</u>	<u>52,800</u>	<u>509,903</u>
<b><u>PUBLIC SAFETY</u></b>				
Land	0			0
Buildings & Improvements	61,444			61,444
Machinery & Equip.	0	6,940		6,940
Office Furn & Equip	0			0
Autos & Trucks	43,154			43,154
	<u>104,598</u>	<u>6,940</u>	<u>0</u>	<u>111,538</u>
<b><u>PUBLIC WORKS</u></b>				
Land	74,300			74,300
Roads, Curb & Gutter	6,376,770	7,000		6,383,770
Sidewalks	253,886			253,886
Buildings & Improvements	22,000			22,000
Machinery & Equipment	61,235	14,833		76,068
Vehicles	24,224			24,224
Storm Drains	14,908			14,908
	<u>6,827,323</u>	<u>21,833</u>	<u>0</u>	<u>6,849,156</u>
<b><u>PARKS &amp; REC</u></b>				
Land	88,709	100,000		188,709
Buildings & Improvements	224,018	75,115		299,133
Machinery & Equip.	60,772			60,772
Vehicles	0	18,412		18,412
	<u>373,499</u>	<u>193,527</u>	<u>0</u>	<u>567,026</u>
<b>TOTAL GENERAL FUND</b>	<u>7,647,196</u>	<u>443,227</u>	<u>52,800</u>	<u>8,037,623</u>
<b><u>BUSINESS TYPE ACTIVITIES</u></b>				
<b><u>WATER</u></b>				
Distribution System	2,336,162	33,957		2,454,029
Buildings & Structures	0			0
Machinery & Equip.	189,609	51,903	7,797	226,455
Water Rights	118,268			118,268
Autos & Trucks	69,917	33,691	30,415	73,193
	<u>2,713,956</u>	<u>119,551</u>	<u>38,212</u>	<u>2,871,945</u>
	<u>10,361,152</u>	<u>562,778</u>	<u>91,012</u>	<u>10,909,568</u>

ACCUMULATED DEPRECIATION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 3: CAPITAL ASSETS - Cont'd

	ACCUMULATED DEPRECIATION			
	Balance June 30, 2003	Additions	Retirements	Balance June 30, 2004
<b><u>GENERAL</u></b>				
<b><u>GENERAL GOV</u></b>				
Land	\$ -			\$ -
Buildings & Improvements	23,215	10,078	3,696	29,597
Machinery & Equip.	13,654	4,138		17,792
Office Furn & Equip	12,688	3,391		16,079
Vehicles	12,632	3,156		15,788
	<u>62,189</u>	<u>20,763</u>	<u>3,696</u>	<u>79,256</u>
 <b><u>PUBLIC SAFETY</u></b>				
Buildings & Improvements	19,662	1,229		20,891
Machinery & Equip.	-	694		694
Office Furn & Equip	-			-
Autos & Trucks	28,182	3,276		31,458
	<u>47,844</u>	<u>5,199</u>	<u>-</u>	<u>53,043</u>
 <b><u>PUBLIC WORKS</u></b>				
Land	-			-
Building & Improvements	1,650	1,100		2,750
Roads, Curb & Gutter	3,136,804	212,792		3,349,596
Sidewalks	130,265	8,529		138,794
Machinery & Equip.	36,377	11,129		47,506
Vehicles	17,318	3,353		20,671
Storm Drains	1,203	2,982		4,185
	<u>3,323,617</u>	<u>239,885</u>	<u>-</u>	<u>3,563,502</u>
 <b><u>PARKS &amp; REC</u></b>				
Land	-	-	-	-
Buildings & Improvements	30,913	16,793		47,706
Machinery & Equip.	9,574	7,329		16,903
Vehicles	-	1,841		1,841
	<u>40,487</u>	<u>25,963</u>	<u>-</u>	<u>66,450</u>
<b>TOTAL GENERAL FUND</b>	<b>\$ 3,474,137</b>	<b>\$ 291,809</b>	<b>\$ 3,696</b>	<b>\$ 3,762,250</b>
 <b><u>BUSINESS TYPE ACTIVITIES</u></b>				
<b><u>WATER FUND</u></b>				
Water Distribution System	\$ 848,316	\$ 114,271		\$ 962,587
Machinery & Equipment	124,623	28,409	6,157	146,874
Vehicles	32,702	16,916	19,382	30,236
<b>TOTAL WATER FUND</b>	<b>\$ 1,005,641</b>	<b>\$ 159,596</b>	<b>\$ 25,540</b>	<b>\$ 1,139,697</b>
	<u>4,479,778</u>	<u>451,405</u>	<u>29,236</u>	<u>4,901,947</u>

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

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NOTE 4: LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ending June 30, 2005:

	<u>6/30/04</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/05</u>
<u>General Obligations</u>				
Note Payable	\$ <u>10,878</u>	----	\$ <u>2,534</u>	\$ <u>8,344</u>
<u>Revenue Bonds Payable</u>				
Road Revenue Bonds	\$ 438,918	\$ ----	\$ 62,682	\$ 376,236
Water Revenue Bonds	<u>560,000</u>	-----	<u>21,000</u>	<u>539,000</u>
Totals	<u>\$ 998,918</u>	<u>\$ -----</u>	<u>\$ 86,215</u>	<u>\$ 915,236</u>

Long-term debt and bonds outstanding at June 30, 2005 consisted of the following:

	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Total</u>
Non-interest bearing note payable due in monthly installments of \$ 211 through October 1, 2008, secured by land and building	<u>\$ 2,533</u>	<u>\$ 5,811</u>	<u>\$ 8,344</u>
<u>Revenue Bonds Payable</u>			
\$ 653,879 Roads Revenue Bond, due in Quarterly installments of \$22,094 through May 10, 2014; Interest at 6.05% to 6.35%	\$ 66,133	\$ 310,102	\$ 376,235
\$ 640,000 Water Revenue Bonds Payable to the Utah Division of Water Resources, due in annual installments of \$ 25,800 to \$ 32,320 with interest at 1 %	21,000	518,000	539,000
Total Revenue Bonds Payable	<u>\$ 87,133</u>	<u>\$ 828,102</u>	<u>\$ 915,235</u>

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
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**NOTE 4: LONG-TERM DEBT (CONTINUED)**

Total Debt Service at June 30, 2005 was as follows:

Fiscal Year	Principal	Interest	Total
2006	\$ 89,666	27,633	117,299
2007	98,931	23,157	122,088
2008	104,472	18,356	122,828
2009	107,533	13,237	120,770
2010	111,977	7,779	119,756
2011	27,000	4,110	31,110
2012	28,000	3,840	31,840
2013	28,000	3,560	31,560
2014	28,000	3,280	31,280
Thereafter	<u>300,001</u>	<u>16,770</u>	<u>316,771</u>
Totals	<u>\$ 923,580</u>	<u>\$ 121,722</u>	<u>\$ 1,045,302</u>

Cities such as La Verkin have a legal limit of general obligation indebtedness of four percent of the fair market value of taxable property. La Verkin has a remaining legal debt margin of approximately \$3,613,980.

**Capital Leases:**

The following is a summary capital lease activity for the year ending June 30, 2005:

	<u>6/30/04</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/05</u>
Vehicle Capital Lease Payable	\$ ----	\$ ----	\$ ----	\$ ----
Copier Capital Lease Payable	1,601	----	1,601	----
Telephone Capital Lease Payable	1,227	----	1,227	----
Building Capital Lease Payable	----	205,000	----	205,000
Backhoe Capital Lease Payable	----	35,350	8,518	26,832
Dodge Truck Capital Lease Payable	----	28,850	2,496	26,354
Chevy Truck Capital Lease Payable	----	<u>18,412</u>	<u>4,928</u>	<u>13,484</u>
Total General Obligations	<u>\$ 2,828</u>	<u>\$ 287,612</u>	<u>\$ 18,770</u>	<u>\$ 271,670</u>

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

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Capital leases outstanding at June 30, 2005 consisted of the following:

	<u>Current Portion</u>	<u>Non-Current Portion</u>	<u>Total</u>
Building Capital Lease payable to Zions Bank in twenty semi-annual installments of \$12,995 including interest at 4.75% through March 1, 2015.	\$ 16,446	\$ 188,554	\$ 205,000
Backhoe Capital Lease payable to Zion's Bank in thirty six monthly installments of \$1,034 including interest at 3.31% through Sept 15, 2007.	11,690	15,142	26,832
Dodge Capital Lease Payable in 60 monthly payments of \$561.53 including interest at 6.281% through Dec 11, 2009	5,232	21,122	26,354
Chevrolet Truck Capital Lease payable in 4 annual payments of \$ 4,928.19 including interest at 4.75% through Sept. 29, 2007	<u>4,288</u>	<u>9,196</u>	<u>13,484</u>
<b>Total Capital Leases Payable</b>	<b><u>\$ 37,656</u></b>	<b><u>\$ 234,014</u></b>	<b><u>\$ 271,670</u></b>

**Note 5: Accounts Receivable**

Accounts Receivable in the accompanying financial statements include the following:

General Fund

Street Agreements	\$ 295
Payroll Tax Refund	<u>3,840</u>
	<u>\$ 4,135</u>

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
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**Proprietary Funds**

Water Fees	\$ 49,817
Sewer Fees	36,282
Irrigation	2,063
Garbage	17,448
Drainage	<u>12,658</u>
Total	<u>\$ 118,268</u>

**NOTE 6: RETIREMENT PLANS**

The City contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living allowances and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 S, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy**

Plan members may contribute 6.0 percentage of their covered salary (all or part may be paid by the employer for the employee) and the City is required to contribute 7.08% of covered salary to the contributory system. The contribution rates are actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The contributions made by the City for the year ended June 30, 2005 were paid by the due dates or within 30 days thereafter. The contributions were equal to the required contributions for each year. The City does not participate in a 457 Deferred Compensation Plan.

**CITY OF LA VERKIN, Utah**  
**Notes to Financial Statements**  
**June 30, 2005**

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The required contributions and amounts received for the 2004/2005 fiscal year and the two previous fiscal years are as follows:

<u>System</u>	<u>Year</u>	<u>Employee paid Contributions</u>	<u>Employer paid for employee Contributions</u>	<u>Employer Contributions</u>	<u>Salary subject to retirement Contributions</u>
Local Governmental- Contributory	2005	\$ ----	\$ 26,568	\$ 31,350	\$ 442,794
	2004	----	19,697	18,417	328,284
	2003	----	19,094	14,893	318,227
401(k) Contributions	2005	\$ 4,977	\$ ----	N/A	
	2004	5,530	----	N/A	
	2003	8,573	----	N/A	

**NOTE 7: COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS**

The city is involved in certain legal matters that have arisen in the normal course of business. In the opinion of management none of these matters are of a nature that would have a material affect on the financial statements.

The City invested in the Ash Creek Irrigation Company during the 1987-88 fiscal year. The City, which owns 23.98% of the Company, is involved in a water development project with Hurricane City, Toquerville City, and the Washington County Water Conservancy District. The irrigation company has borrowed \$166,174 payable over twenty-six years at no interest. The City makes annual contributions to the irrigation company for retirement of the debt.

**NOTE 8: RESERVED FUND BALANCES**

Reserves are used to indicate that a portion of the fund balance is not available for appropriation or expenditure, or is legally segregated for a specific future use. At June 30, 2005, La Verkin City reserved fund balances are as follows:

		<u>Balance at June 30, 2004</u>	<u>Revenue/ Transfer</u>	<u>Interest Revenue</u>	<u>Expense</u>	<u>Balance at June 30, 2005</u>
<b>A. General Fund</b>						
(1)	B & C Road Funds	\$ ----	\$ 127,932	\$ 4,247	\$ 5,371	\$ 126,808
(2)	State Liquor Funds	----	2,337	---	2,337	----
(3)	Street Impact Fees	----	23,560	---	23,560	----

**CITY OF LA VERKIN, Utah**  
**Notes to Financial Statements**  
June 30, 2005

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(4)	Impact Fees Parks	----	123,690	---	123,690	-----
(5)	Impact Fees Public Safety	<u>1,654</u>	<u>19,003</u>	<u>310</u>	<u>---</u>	<u>20,967</u>
		<u>\$ 1,654</u>	<u>\$ 296,522</u>	<u>\$ 4,557</u>	<u>\$ 154,958</u>	<u>\$ 147,775</u>

	<u>Balance at June 30, 2004</u>	<u>Revenue/ Transfer</u>	<u>Interest Revenue</u>	<u>Expense/ Transfer</u>	<u>Balance at June 30, 2005</u>
<b>B. Water Fund</b>					
(1) Bond Fund	\$ 8,866	25,928	\$ ----	\$ 25,997	\$ 8,797
(2) Bond Reserve Fund	138,330	25,089	2,967	----	166,386
(3) Impact Fees - Water	32,903	255,816	7,218	14,295	281,642
(4) Impact Fees Storm Drain	<u>24,324</u>	<u>11,997</u>	<u>---</u>	<u>---</u>	<u>36,321</u>
	<u>\$ 204,423</u>	<u>\$ 318,830</u>	<u>\$ 10,185</u>	<u>\$ 40,292</u>	<u>\$ 493,146</u>
<b>C. Trust</b>					
(1) Cemetery Perpetual Care	<u>\$ 4,511</u>	<u>\$ 9,880</u>	<u>\$ --</u>	<u>\$ 2,200</u>	<u>\$ 12,191</u>

**NOTE 9: RISK MANAGEMENT**

In the normal course of its operations the city is exposed to potential legal actions. Exposure to such situations is not beyond normal exposure, however, the City maintains what is in the opinion of management, adequate insurance coverage through the Utah Local Government's Insurance Trust. Workman's compensation insurance is handled through the Worker's Compensation Fund of Utah.

**NOTE 10: USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.



**CITY OF LA VERKIN, Utah**  
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**June 30, 2005**

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**NOTE 11 PUBLIC RISK POOL**

The Utah Risk Management Mutual Association was organized in 1986 to provide a program of liability insurance. The program's general objectives are to formulate, develop, and administer, on behalf of the member political subdivision, a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City has a deductible of \$ 1,000 per occurrence and a limit of coverage of \$ 4,000,000. The City's annual premium was \$ 15,305 which was shown as an expenditure to the various funds as insurance expense.

**NOTE 12 ENTERPRISE INVENTORIES**

Inventory consists only of supplies that are immaterial to the financial condition and therefore are not included on the statement of net assets but expensed when purchased.

**NOTE 13 PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2005 the following prior period adjustments were made:

Unreconciled accounts payable balance from prior to July 1, 2004 increased the General Fund balance by \$ 36,308.

Water Fund capital assets that were not identified prior to July 1, 2004 increased the Water Fund fund balance by \$ 89,986.

CITY OF LA VERKIN, Utah  
Notes to Financial Statements  
June 30, 2005

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**CITY OF LA VERKIN, Utah**  
**Notes to Financial Statements**  
**June 30, 2005**

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## INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and City Council  
Enterprise, Utah

We have audited the general purpose financial statements of the City of La Verkin, Utah, for the year ended June 30, 2005 and have issued our report thereon dated December 2, 2005. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance programs from the State of Utah:

C Road Funds  
Liquor Law Enforcement

Department of Transportation  
State Tax Commission

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Uniform Building Code Standards

Purchasing Requirements  
Budgetary Compliance

Property Tax  
Other Compliance Requirements  
Impact Fees

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above which we have enumerated in a separate letter dated December 2, 2005.

In our opinion, the City of La Verkin complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Hafen, Buckner, Everett & Graff PC*

HAFEN, BUCKNER, EVERETT & GRAFF, PC  
December 2, 2005

## **Status of Prior Year's Findings For State Compliance**

The general purpose financial statements of the City of La Verkin for the year ended June 30, 2004, contained certain audit finding. Listed below is the status of those findings at June 30, 2005.

**FINDING 1:** City Manager as one of Co-Signors on his own paycheck.

**STATUS OF FINDING:** This situation has been corrected.

**FINDING 2:** Inconsistencies in Capital Asset Records and depreciation calculations.

**STATUS OF FINDING:** Not all capital assets are being identified during the year requiring considerable work at year end. (See Current Year Findings and Recommendations)

**FINDING 3:** Budgeted transfer from PTIF account.

**STATUS OF FINDING:** This finding was not repeated in the current year.

**FINDING 4:** Interest is not accurately being allocated to impact fee and other restricted accounts.

**STATUS OF FINDING:** This finding is still applicable.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

City Council  
La Verkin, Utah

We have audited the financial statements of the City of La Verkin, State of Utah (the City) as of and for the year ended June 30, 2005, and have issued our report thereon dated December 17, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We

noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the City's management in a separate letter dated December 2, 2005.

This report is intended solely for the information of the Mayor, City Council, management and the Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

*Hafen, Buckner, Everett & Graff PC*

HAFEN, BUCKNER, EVERETT & GRAFF, PC  
December 2, 2005





Honorable Mayor and City Council  
La Verkin, Utah

We have audited the general purpose financial statements of the various funds and account groups of the City of La Verkin, Utah for the year ended June 30, 2005, and have issued our report thereon dated December 2, 2005, as part of our audit, we made a study and evaluation of the City's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. Under these standards, the purpose of such evaluation is to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the balance sheet and to assist the auditor in planning and performing their audit of the financial statement.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to the future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our audit made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the City's system of internal accounting control for the year ended June 30, 2005, that was made for the purposes set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data. However, such study and evaluation disclosed the following conditions that we believe should be brought to your attention.

It is important to recognize that a letter of this type is intended to be constructive in nature, and that the absence of positive or complimentary comments are not intended to imply that the operation is not efficient or sound.

FINDING 1: We noted during our audit that several departments exceeded the final approved budget which is a violation of State Statute. Most of these overages were created when the general ledger was adjusted to actual.

RECOMMENDATION: We recommend that the final approved budget be carefully reviewed for any possible corrections that may be made necessary in closing the general ledger for the year.

MANAGEMENT RESPONSE: Management agrees with the audit finding and recommendation and will take the necessary steps to implement the suggestion.

FINDING 2: We noted that not all capital assets are identified and recorded as capital assets during the year requiring considerable work at year end.

RECOMMENDATION: We recommend that as capital assets are purchased they be listed on a capital asset addition list and properly identified as to department, cost, salvage value, and useful life. Also a list of assets retired should be maintained.

MANAGEMENT RESPONSE: Management will review this recommendation and take appropriate action.

FINDING 3: We noted that the monies remitted to the State of Utah for building permits was underpaid by \$ 37 for the year ended June 30, 2005. While this is not a large amount the error could be avoided if the building permit revenue used to prepare the report was compared to the amount recorded in the general ledger.

RECOMMENDATION: We recommend that when the report for building permits is prepared that the total amount of reported building permit revenue be compared to the general ledger.

MANAGEMENT RESPONSE: Management agrees with the recommendation and will make the necessary adjustments.

FINDING 4: It is important that each impact fee and other restricted amounts be credited with the correct

amount of interest earnings. While the amounts were not material there was still some restricted funds that did not appear to receive the correct interest allocation during the year.

RECOMMENDATION: We recommend that a spreadsheet be used to track and document the balances of these restricted funds and that the correct interest be allocated each year.

MANAGEMENT RESPONSE: Management agrees with the recommendation and will take the steps to necessary for its implementation.

FINDING 5 : We noted during our testing that the purchase of land and building financed through a lease purchase was not reflected in the expenditures because there was no actual check written.

RECOMMENDATION: We recommend that all financial transactions be accurately recorded at the time the transaction is consummated.

MANAGEMENT RESPONSE: Management agrees with the recommendation and will take the necessary action to implement the auditors suggestion.

FINDING 6: We noted during our review of the City Council minutes, that approvals are not always identified as to dollar amount.

RECOMMENDATION: We recommend that whenever financial amounts are being approved that the amount be specified in the minutes so that there is no question as to what was approved. We recommend for instance that when a listing of invoices is approved that the list bear a total and that a copy of the list be attached to the minutes and the minutes reflect the total dollar amount of the list being approved.

MANAGEMENT RESPONSE: Management agrees with the auditors recommendation and will take the necessary action to implement the recommendation.

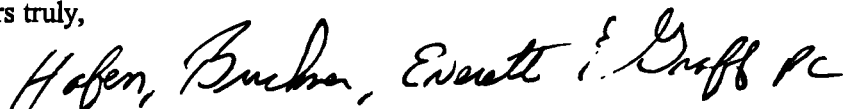
FINDING 7 : We noted during our audit that the treasurer's fidelity bond was under that required by state statute by \$ 26,000. The bond for the 05-06 year should equal or exceed \$ 200,000 and the present bond coverage is only \$ 150,000. For the 04-05 year the coverage should have been \$ 176,000.

RECOMMENDATION: We recommend that the treasurer's fidelity coverage be increased to at least \$ 200,000 and that management monitor the bond coverage limit to make certain state statutes are being followed.

We appreciate the help and cooperation provided by the City personnel during the course of our audit.

Because the above comments are based on a special study of matters covered, further evaluation of our suggestion may be necessary on your part as a basis for implementation.

Yours truly,



HAFEN, BUCKNER, EVERETT & GRAFF, PC  
December 2, 2005